



## Filing Receipt

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PUBLIC UTILITY COMMISSION  
OF TEXAS

REQUEST FOR COMMENTS ON THE	§	
HIGH SYSTEM-WIDE OFFER CAP	§	PROJECT NO. 52631
	§	
REVIEW OF WHOLESALE ELECTRIC	§	
MARKET DESIGN	§	PROJECT NO. 52373

**COMMENTS OF EXELON GENERATION COMPANY, LLC**

Exelon Generation Company, LLC (“Exelon”)<sup>1</sup> appreciates the opportunity to comment on potential market reforms for the wholesale electric market, and respectfully files these Comments with the Public Utility Commission of Texas (“Commission” or “PUC”) in the above-captioned projects to guide its future work.

Staff posed the following question in Project 52631: “When the Commission amends its rules to adjust the HCAP, should it set the HCAP at \$4,500 per MWh? In addressing this question, please also address any consequences of this change relating to the value of lost load, which is set at the HCAP when the HCAP is in effect.”

Exelon supports lowering the high system-wide offer cap, and believes that an HCAP with corresponding value of lost load of \$4,500 per MWh is reasonable, but notes that a lowering of these values needs to be met with a commensurate outward shift in the downward-sloping portion of the ORDC in order to simply maintain the current level of expected energy and reserve revenues available to the market that is desperately needed. Specifically, an adjustment to the Minimum Contingency Level (MCL) should be made along with a standard deviation shift

Carefully making both the HCAP/VOLL and the MCL/standard deviation adjustments to the ORDC will create a revenue mix weighted more heavily towards near-scarcity conditions rather than loss-of-load conditions and will increase the number of intervals in which the ORDC adder rises above zero while providing higher prices during intervals where the market is approaching scarcity. These results will maintain the same operational reliability that exists today. However, properly shifting the ORDC curve will create a market-based solution and obviate the need for command-and-control actions by ERCOT. More resources will be committed in the day-ahead market for operation in real-time, and will thus be available to meet sudden and unexpected events occurring in the hour or day.

That said, it is unlikely that an ORDC modification alone will significantly strengthen the investment signal needed in existing and new firm dispatchable generation necessary to reliably

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<sup>1</sup> Exelon Generation Company, LLC, through subsidiaries, owns 3,620 MWs of gas-fired capacity and 87 MWs of wind power in Texas. Exelon Generation Company, LLC also provides wholesale supply to a number of Texas cooperatives and municipalities.

serve customers during all seasons of the year, or to keep pace with load growth. Even with the present design with VOLL set at \$9,000/MWh, the ORDC has not driven a significant amount of new investment in thermal resources and did not drive “hardening” of existing resources sufficient to forestall the challenges of the Winter Storm. To improve reliability, Texas needs an “ORDC Plus”, that would enable retention of existing dispatchable resources, ensure that existing and new dispatchable resources make necessary investments to operate reliably during extreme conditions, and incentivize new dispatchable resources to meet the needs of the grid when intermittent resources are unavailable.

In an effort to work together and build consensus, Exelon has worked with NRG and the economic consulting firm E3 and Ms. Beth Garza, the former independent market monitor of ERCOT and a Senior Fellow at R Street Institute, a nonprofit, nonpartisan, public policy research organization, on a proposal designed to achieve Texas’ reliability goals. As a first step, the proposal would establish a formal standard for electricity reliability. As discussed in Exelon’s previous comments, this is an important element, which will aid in setting the reliability goal that Texas wants to meet, and will ultimately enable the PUCT to understand whether the market design has achieved that objective, or whether adjustments are needed. Load-serving entities (LSEs) would be required to procure sufficient resources to meet the reliability standard, thus appropriate signals would be sent to the market that would incent new generation.

From a timing perspective, Exelon anticipates that the PUCT would adopt and implement the ORDC changes as described and lay out a blueprint for the reliability standard and the mechanism to achieve the reliability standard in 2021, with adoption and implementation of the E3/NERG/Exelon proposal to occur in 2022.

We look forward to working with the Commission, Staff, ERCOT, and other stakeholders on the E3/NERG/Exelon proposal that would maintain Texas’ competitive electricity market and the benefits that it brings, while providing Texans with the reliability that they deserve.

Respectfully submitted,

/s/ Cynthia F. Brady

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*On behalf of Exelon Generation Company, LLC*